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9 July 1952

OCI No. 6436
Copy No.

280

CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 13, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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EASTERN EUROPE

1. Change in Soviet Ambassador to Czechoslovakia does not mean change in policy: Soviet Deputy Minister of Foreign Affairs Alexander Bogomolov was appointed on 6 July to replace Anatoly Lavrentiev as Ambassador to Czechoslovakia. Lavrentiev was named Soviet Ambassador to Rumania. (U New York Times, 6 July 52)

Comment: Lavrentiev, also a Deputy Minister of Foreign Affairs, was appointed Ambassador to Czechoslovakia during the Slansky purge last November. The unusual shortness of his stay in Czechoslovakia and the timing of his appointment to the Rumanian post support his reputation as Soviet trouble-shooter in the Satellites.

Bogomolov has been in the Soviet diplomatic service since before the war and held the posts of Ambassador to the various exile governments in London and to France from 1944 to 1950. He is considered one of the most capable Soviet diplomats and is believed to possess considerable authority in matters affecting Russian foreign policy. The shift in Soviet Ambassadors to Czechoslovakia is not, therefore, considered as an indication of lessening Soviet interest or pressure in that country.

2. Attempt made to divert MSA tinplate shipment to Soviet bloc: On June 24 a shipper in Trieste attempted to divert 34 tons of tinplate paid for by MSA to two Austrian firms which are suspected of previous transshipments to the Soviet bloc. The shipment was consigned from a New York trading firm to an Austrian firm in Vienna. (S Trieste 20, 7 July 52)

Comment: Sizable quantities of other MSA-financed shipments of strategic items to Western European firms are believed to have gone eventually to the Soviet Orbit, but it has seldom been possible as in this case to establish clearly the method of rerouting or reshipment used.

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3. Hungarian officials boycott US Legation Fourth of July reception: Only one Hungarian Foreign Office official attended the Fourth of July reception at the US Legation. Twelve had been invited and not more than four of these were genuinely unable to come. Not one of the thirteen local residents who claim American citizenship appeared. On the other hand, four members of the Russian Embassy attended, as well as members of the other Satellite missions. (C Budapest 13, 5 July 52)

Comment: Last year most of the Hungarian officials accepted invitations to attend the reception, and so did about 25 Hungarian-Americans.

The boycott by the Hungarian officials may be significant, in view of the report of 26 May that preparations were in progress for a state trial involving Hungarians who had been connected with the US Legation.

4. Rumania appoints new Ambassador to the USSR: The Presidium of the Grand National Assembly has appointed Mihai Dalea as Rumanian Ambassador to the USSR. (R FBIS Bucharest, 7 July 52)

Comment: Dalea has been Vice President of the Rumanian State Control Commission since November 1949 and a member of the Central Committee of the Rumanian Workers' Party since February 1948. On 1 April 1947, he spoke on behalf of the Rumanian Communist Party on the occasion of the ratification of the 1947 Soviet-Rumanian Trade and Navigation Agreement, which he hailed as a "consolidation of Rumania's national independence."

5. Yugoslav leaders display concern over less hostile Soviet policy: The Tito regime has finally been forced to admit publicly that the tactics of the Soviet Union towards Yugoslavia have changed significantly during the past six months. The embarrassing reduction of Cominform pressure on Yugoslavia is explained by leaders of the Yugoslav Communist Party as an effort to undermine Yugoslav unity and support for the party and at the same time to isolate Yugoslavia from the West by fostering the myth that the Yugoslav-Cominform break is not irreparable.

Consequently, American officials believe that the Yugoslav leaders, needing a foreign threat to divert popular attention from domestic problems, played up the allegedly aggressive character of Italian maneuvers with respect to Trieste. In addition, the recent stress on the need for more party discipline and increased activity may in part be an attempt to counter the demoralizing effects of decreased Cominform pressure and of closer relations with "monarcho-

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fascist" Greece. (S Belgrade Desp 1119, 6 June 52)

Comment: In a speech early in July, Marshal Tito accused Moscow of attempting "in all possible ways to create a gap in Yugoslav-Western relations" by attempting to show the West that there is collusion between Moscow and Belgrade. For example, certain Austrian and Italian news organs have been spreading "sensational reports" of secret Soviet-Yugoslav conversations.

The relatively mild hostility displayed by Orbit delegates in the recently adjourned sixth meeting of the Danubian Commission towards Yugoslavia's representations illustrates this new Soviet policy of deceptive moderation.

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FAR EAST

6. Japan requests American support for UN application: A Japanese Foreign Office representative has advised Ambassador Murphy that his government is concerned lest the United States be put in a position, in the public's mind, of denying Japan's membership in the UN by opposing a Soviet simultaneous admission proposal. The Japanese Government, therefore, hopes that the United States will support a "package proposal" if Japan is included. He added that his government has no intention of making a deal with the USSR to secure its support of the application. (C Tokyo 79, 7 July 52)

Comment: The Soviet Union has consistently vetoed the UN applications of a number of non-Communist nations, and has offered a package deal including the simultaneous admission of five Soviet Satellites as the price of admission for the nine non-Soviet candidates. If Japan were included in such a proposal, and the deal were subsequently blocked by the United States, the USSR would be provided with an effective propaganda theme for use in Japan in view of widespread popular interest there in UN membership.

7. France agrees to repatriate Chinese Nationalist internees: The French Government has agreed in principle to the repatriation of the Chinese Nationalist troops interned in Indochina. The Foreign Ministry has informed the Chinese Minister in Paris that the first step would be to repatriate "sick or invalid" internees, after a check by the International Red Cross on their health and on their choice of repatriation to Formosa or the Chinese mainland.

It was emphasized to the Chinese Minister that, if the repatriation process were publicized by the Taipei government, the whole plan would be dropped. (C Paris 157, 7 July 52)

Comment: France has been reluctant to repatriate to Formosa the estimated 30,000 interned Nationalist troops because of fear of provoking the Chinese Communists. The French Government, however, has been anxious to reduce the financial burden of maintaining the internees, and may be attempting to induce the Chinese to reverse their recent decision to vote in favor of raising the Tunisian issue before the United Nations.

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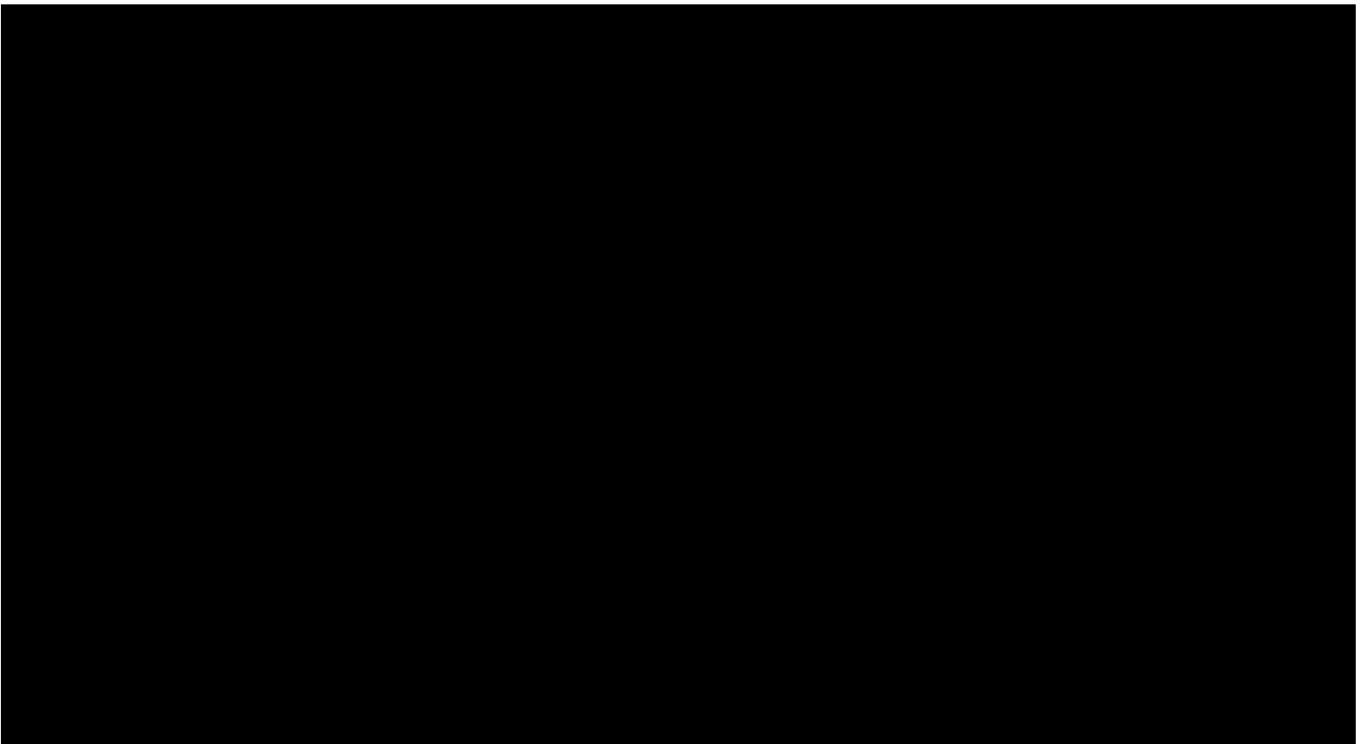
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8. French officials question potential of Vietnamese army: The American Consul in Hanoi comments that several French officials, including a ranking military officer, recently expressed doubts of the potential of the Vietnamese National Army. Among the reasons given were the shortage of officers, resentment at French control of the army, and absence of a nationalistic spirit among Vietnamese recruits.

These opinions, the Consul observes, merit consideration in the light of Letourneau's recent statement that France will begin to withdraw its troops from Indochina before the end of this year. (S Hanoi 21, 7 July 52)

Comment: Although French military and political policy in Indochina is keyed to the creation of a Vietnamese National Army, many French and Vietnamese officials in Indochina have previously voiced doubts that an effective army can be developed.

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10. Report of Thai Army commander's death false: The recent report that General Phin, Thai Army commander, died on 30 June has been denied. Rumors of his death in Bangkok official circles may have resulted from a recent operation undergone by Phin. [REDACTED]

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11. Burmese Premier not to retire in near future: [REDACTED]

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[REDACTED] Prime Minister U Nu is not likely to retire voluntarily within the near future. [REDACTED] it possible, however, that the Defense Minister, U Ba Swe, may seek to force Nu's retirement and assume the premiership himself. [REDACTED]

25X1C

25X1C

Comment: The popular Nu, a devout Buddhist, has periodically contemplated retirement to a monastery during his five-year tenure as Prime Minister; it was recently reported that he would retire within a month.

Ba Swe, an ambitious opportunist and a leading figure in the ruling Socialist Party, is considered to be Nu's only likely successor.

12. Burmese drive against Karen-held wolfram mines reported halted: [REDACTED]

25X1X

reports that fierce resistance by well-armed Karens has forced the government to postpone its major offensive against the important Mawchi Mine area in Eastern Burma. The Karens, armed with automatic weapons and antitank guns, inflicted a severe defeat upon government armored car units which penetrated to within 11 miles of the area. (S Rangoon 27, 5 July 52)

Comment: Karen control of the mine area has given them access to important stockpiles of valuable wolfram ore, which they reportedly have been smuggling to nearby Thailand in exchange for arms and ammunition.

The Burmese Defense Minister, U Ba Swe, had given this operation the highest priority during the monsoon season.

NEAR EAST - AFRICA

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13. New Egyptian Premier reportedly opposed to negotiations with Great Britain at this time: [REDACTED]

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25X1C

[REDACTED] Prime Minister Sirry Pasha has reaffirmed his belief that internal reforms should precede negotiations with the British. He is also opposed to amending the constitution until after new elections. [REDACTED]

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Comment: Other reports have also indicated that Sirry's main efforts may be focused on domestic issues. It is probable, however, that Sirry will not make substantial progress toward solving Egypt's domestic or foreign problems.

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WESTERN EUROPE

14. East Germany makes new moves against interzonal traffic: New moves have been taken recently by the Communists to isolate East Germany more completely from the West. On 1 July, 150 West Germans on the Cologne-Berlin train who were bound for East Berlin or points within East Germany were refused entry into East Germany at the Helmstedt crossing-point because they did not possess special People's Police passes. Other passengers, headed for West Berlin, were permitted to proceed without passes.

The East Germans also closed a rail crossing-point for local traffic near Eisenach on 1 July. Passengers are, however, being carried by other means.

The Zerben lock on the important Mittelland Canal linking West Berlin with West Germany was closed for "repair" on 7 July with the announcement that it would be reopened on 4 August. This action does not seriously affect canal traffic, as an alternate route is available.

Since 5 July, East German authorities at the interzonal border have also been turning back all rail shipments of potatoes bound for West Berlin which have not been sprayed. The "invasion of American potato bugs" is used as an excuse for this move, which affects about 350 carloads of potatoes each week. (C Berlin 44, 7 July 52; R Bonn 23, 2 July 52)

Comment: The blocking of passenger traffic is an extension of a 1 June East German regulation on travel documentation which was at first applied only to West Berliners traveling to their near-by property in East Germany. With the rail crossing-point near Eisenach closed, there are now six such crossing-points available for German traffic.

Closing of the one Mittelland lock follows an East German announcement that the whole route would be closed from 1 to 18 July; the canal, however, is still open to traffic.

15. West German conscription to be delayed until 1954: Theodor Blank, the West German "Minister of Defense," declared in a recent speech that conscription for the Federal Republic's contingent in the European Army would not begin until early 1954. Volunteer cadres will be formed next year, the time depending upon the final ratification date of the EDC treaty.

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Blank said that one fifth of the 500,000-man contingent will consist of professional commissioned and noncommissioned officers. He also said that for the next five years only a small fraction of the age classes to be conscripted can be exempted. (C Bonn Unnumbered, 29 June; [REDACTED])

Comment: West Germany actually has a fairly large reservoir of manpower in relation to the size of its projected defense units. There are approximately 750,000 men between the ages of 18 and 21 who can meet military physical standards. It is from this group that the West German contingent will probably be drafted. Based on World War II performance, the Federal Republic could theoretically put a total of 3.6 million men into the field.

16.

Swiss electorate rejects program for financing rearmament: In a special referendum Swiss voters have turned down the government's proposal for financing the five-year 1.4-billion-franc extraordinary rearmament program. However, the defeat of this measure will not slow down the country's rearmament.

The US Legation in Bern attributes the referendum's results largely to widespread opposition against provisions providing for increased income and wine excise taxes. It comments that the Swiss electorate apparently wants the government to honor its 1950 promise not to alter provisional tax laws before 1954. (R Bern 24, 7 July 52)

Comment: The method of increasing taxes has been a highly controversial question since Parliament approved rearmament plans in 1950. In April 1951 Parliament rejected the executive branch's plan for financing rearmament, but finally approved a modified version in March 1952. Subsequently, a Socialist proposal for a capital levy was rejected by the voters in a referendum in May 1952. A Communist-sponsored measure to abolish sales taxes, which would have undermined fiscal stability and jeopardized the rearmament program, was decisively defeated in April in another nationwide referendum.

The conservative, disciplined, and hitherto well-managed Swiss economy has made the average citizen unaware of the danger of inflation inherent in deficit financing of national programs.

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CIA No. 49727
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WESTERN EUROPE

1. French Government presses for answer on US military aid:
Foreign Minister Schuman and Defense Minister Plevén have stressed their fear that American delay in replying to Plevén's 6 May request for additional financing of French military production will have serious consequences.

Schuman states that the government is being severely criticized for accepting the Lisbon NATO commitments, and Plevén is under "intense pressure" from the cabinet to explain what budgetary changes might be required as a result of the American answer. (S S/S Paris 143 and 153, 7 July 52)

Comment: Plevén had hoped to avoid the consequences of a military budget inadequate to cover France's NATO commitments. Since Washington has decided to finance less French military production than Plevén had requested, the Defense Minister can be expected to carry out his threat to curtail expenditures for basic military installations. This would further delay the NATO build-up on the Continent.

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